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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 000164

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SUBJECT: THE DEPUTY SECRETARY'S FAREWELL VISIT WITH IRAQI PRESIDENT TALABANI

Classified By: Ambassador Ryan Crocker for reasons 1.4 (b) and (d).

¶1. (U) This message is Sensitive but Unclassified; handle accordingly. Not for distribution on the Internet.

¶2. (SBU) SUMMARY: In a friendly luncheon with Iraqi President Talabani and Vice President Mahdi, Deputy Secretary Negroponte requested that the Government of Iraq (GOI) determine its participants so that the Higher Coordinating Committee called for in the Strategic Framework Agreement (SFA) could meet by video conference before January 20 (neither Talabani nor Mahdi made a firm commitment on this). The Deputy Secretary probed regarding Iran's expectations of the U.S., with little result. Talabani outlined economic relationships the GOI is developing with Turkey, Korea, Egypt and others. END SUMMARY.

¶3. (U) On January 5, President Talabani hosted visiting Deputy Secretary of State John Negroponte at a luncheon where participants discussed internal and external issues, punctuated by jokes and reminiscences. Vice President al Mahdi and Ambassador Crocker were also present. In welcoming remarks with reporters present, Talabani thanked the Deputy Secretary, the Bush Administration and the United States for supporting him and the Iraqi people in their quest for liberty and democracy. Talabani declared that Iraqis are a "grateful and faithful people, who will never forget what the United States has done for us." President Talabani observed that Iraq is now developing well, having recently held two important ceremonies (the transfer of official control of the Iraqi Presidential Palace-Green Zone and Iraqi Armed Forces Day) reinforcing Iraqi sovereignty without incident.

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LOWER PRICE OF OIL AS CATALYST FOR OIL REFORMS IN IRAQ  
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¶4. (SBU) Talabani joked that "the only bad thing now is the price of oil." The Deputy Secretary retorted "It depends on which side of the Atlantic you are on." In response to a question from the Deputy Secretary, VP Mahdi stated that the lower price of oil will increase pressure for oil and hydrocarbon reforms in Iraq. He added that the low price of oil will also spur other economic reforms as Iraqis realize they cannot depend on oil as the country's only economic engine. He noted that "70% of Iraq's economy depends on oil, which is in reality 90%" as many non petroleum-related industries depend on the oil industry for their business."

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FIVE COMMITTEES  
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¶5. (SBU) The Deputy Secretary asked whether the Presidency Council would have a role in the work of the Five Committee Talks. Not at present, Mahdi replied, but will in the future. He noted that the Executive Council had recently added members from the Presidency Council.

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STARTING SFA MEETINGS BEFORE JANUARY 20  
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¶6. (SBU) The Ambassador and the Deputy Secretary urged the GOI to determine its participants in the Higher Coordinating Committee so that the committee structure called for in the SFA could begin before the change in administrations in the U.S. The Ambassador outlined a plan for a video conference between the USG and GOI for the committee detailed in the SFA before President-Elect Obama's inauguration on January 20. Officials from the Obama administration would be invited to the video conference as observers, in order to become familiar with the SFA. The Deputy Secretary emphasized the importance of holding this video conference before January 20 to provide a foundation for coordination that could continue into the next Administration; it would be difficult to meet after the Obama Administration takes office without a precedent, as the new Administration will be seized with other pressing issues. Talabani and Mahdi listened but made no commitment.

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RELATIONS WITH TURKEY  
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¶7. (SBU) President Talabani enthusiastically described new developments in Turkey, including that the Turkish Prime Minister spoke in Kurdish during the opening broadcast of a Kurdish language television station in Turkey, and that two Kurdish colleges had opened in Turkey. He asserted that

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these events will have positive implications for the Kurdistan Regional Government (KRG), adding that trade between Turkey and the KRG topped \$5 billion in 2008. He noted also that trade between the KRG and Iran exceeded \$3 billion.

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TURKEY-IRAQ-KUWAIT AS A "VIRTUOUS CHANNEL"  
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¶8. (SBU) President Talabani mentioned that he will travel to Kuwait for the January 18-20 Arab Economic Summit. Negroponte applauded this and suggested that, as Iraq's economic strength grows, Turkey, Iraq, and Kuwait could become a "virtuous channel" to include commerce and investment. He urged the GOI to name an Ambassador to Kuwait.

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PENDING ECONOMIC DEVELOPMENT PLANS WITH OTHER COUNTRIES  
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¶9. (SBU) Talabani and his staff also mentioned that he is planning to travel to Korea to finalize 20 business projects with the Korean government and business partners, including constructing a steel factory in Iraq, a highway between Baghdad and Jordan, and a 400-bed hospital in Sulimaniyah. President Talabani's staff detailed a strategic alliance with Egypt, which features an exchange between 25 ministries of the two countries, which they said would soon reach agreement after long delays by the Egyptians. They noted that a similar strategic alliance was under consideration with the UAE.

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NEW COUNCIL OF REPRESENTATIVES SPEAKER  
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¶10. (SBU) President Talabani vowed that the Council of Representatives (COR) will have a new Speaker by the time the COR re-opens on January 10. Upon the Ambassador's wondering who the Speaker would be, VP Mahdi detailed the political

obstacles several potential candidates posed for the various COR blocs. The Ambassador and VP Mahdi both noted that Iraqi politics now exhibits greater fluidity. With different Shi'a, Sunni, and Kurdish parties and politicians supporting or objecting to different (Sunni) candidates for COR Speaker, Iraqi politics is becoming more issues-based than identity (ethnicity or sect)-based.

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PROVINCIAL ELECTIONS  
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¶11. (SBU) The Deputy Secretary asked whether the upcoming provincial elections in Iraq will be successful. Mahdi felt they would be honest elections. Ambassador Crocker worried about the popularity of the elections. With so many candidates, an open list voting system, and a complicated ballot, he highlighted the importance of voter education before election day. President Talabani's staff maintained that an open list would be good for Iraq: more people would be involved in running and voting, with a greater diversity of ideas to propose for the country. Deputy Secretary Negroponte agreed, adding that the greater number of candidates provided a way of identifying new leaders for Iraq. VP Mahdi responded to the Deputy's question on the characteristics of the candidates by observing that all candidates were required to have a university degree, and that the Electoral Commission was checking to make sure candidates met this qualification. NOTE: The 2008 Iraqi Elections Law states that candidates must have a certificate from a secondary educational institution, not a university.  
END NOTE.

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THE OBAMA ADMINISTRATION AND IRAQ  
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¶12. (SBU) VP Mahdi asked the Deputy Secretary what Iraq Q12. (SBU) VP Mahdi asked the Deputy Secretary what Iraq should expect from the new Obama administration. The Deputy thought it telling that Iraq did not cause bitter debate during the U.S. Presidential campaign this fall. He thought that the President-elect had been careful to preserve his options regarding Iraq. The main question was whether other issues would compete with Iraq for the new President's attention. Talabani pointed out that three people proposed for Obama's cabinet, while new to their positions, would be well-versed in Iraqi affairs: Vice President-Elect Biden, National Security Advisor designate General Jones, and Secretary of State designate Clinton. He added that, on both occasions when he had met President-elect Obama, Talabani had

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concentrated his comments on the importance a free and democratic Iraq would have for the middle east and for U.S. policy.

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IRAN'S EXPECTATIONS OF RELATIONS WITH U.S.  
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¶13. (SBU) The Deputy Secretary asked President Talabani and VP Mahdi what Iran wants in its relationship with the United States. Talabani replied that the reformers in Tehran want to normalize relations with the U.S. He professed not to know what Ahmadinejad and Iranian hardliners wanted. VP Mahdi opined that Ahmadinejad would not win a second term, while Talabani suggested that former Iranian President Rafsanjani is still important in Iranian politics.

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EDUCATION'S IMPORTANCE IN REBUILDING IRAQ  
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¶14. (U) The Deputy Secretary noted the importance of education to Iraq's development, and expressed support for

undergraduate and postgraduate scholarships for Iraqis to study in the U.S. VP Mahdi mentioned that the GOI was sponsoring 25 university scholarships for Iraqis to study economics and related subjects in the U.S.

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TRANSLATING IRAQI/ARABIC LITERATURE INTO ENGLISH  
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¶15. (U) President Talabani stressed that, in order to understand Iraq, one must understand the Shi'a of Iraq. Ambassador Crocker noted that recent scholarly works on Shi'a Islam and Iraq were largely written by non-Arabs. He proposed that, as the U.S.-Iraq relationship evolves, a joint government project could underwrite English translations of the great works of Arabic literature and history.

¶16. (U) As lunch finished, Talabani thanked the Deputy Secretary, the Bush administration, and the American people for their support of Iraq. He declared that Iraqis are a "grateful and faithful people, and we will never forget what the United States has done for us."

¶17. (U) The Deputy Secretary's party cleared this cable.  
CROCKER